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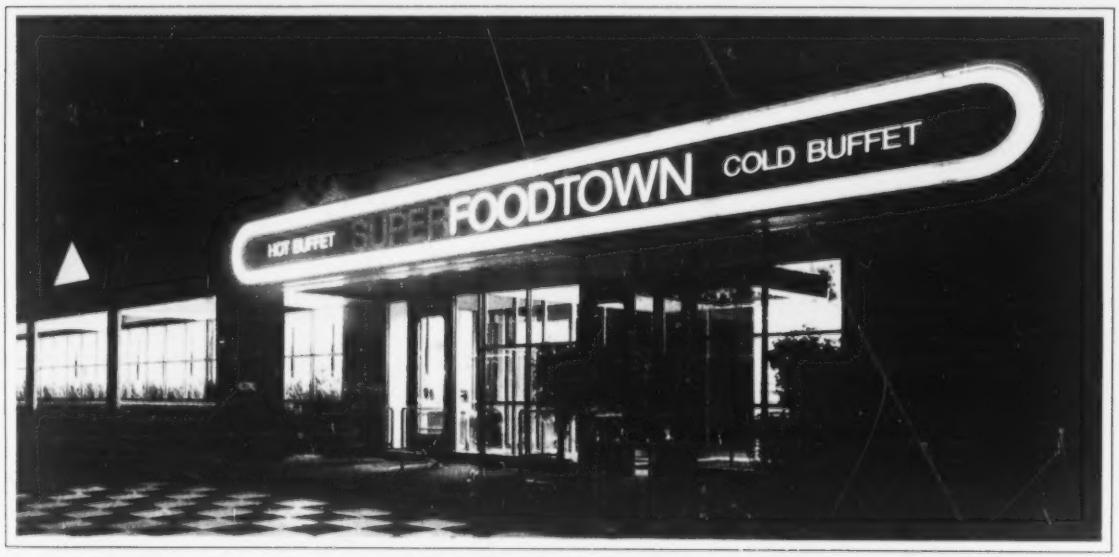

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BATTLE OF GROCERY FORMATS INTENSIFIES

VENDORS UNDER PRESSURE TO CHOOSE SIDES

The battle between supermarkets and so-called "alternative" retail formats—wholesale clubs and deep discounters—is set to heat up as supermarket retailers arrive at the Food Marketing Institute show in Chicago this month.

Final versions of FMI-commissioned reports on the impact and economics of the formats are expected to be released at the annual conference, the supermarket industry's largest. Once those reports are released, discussion of possible retaliatory actions will likely take center stage.

Many supermarket retailers are determined to reverse, or at least halt, continuing losses of market share to the deep discounters and clubs, which they believe are receiving favored treatment from grocery manufacturers.

But even as a possible showdown between supermarkets and grocery vendors seems ready to emerge, there are indications that not all vendors will be as easily intimidated as they might have been a decade ago, when the alternative formats were still in their infancy.

Perhaps the clearest indication is the position taken by Procter & Gamble, which is employing a radical new pricing strategy in 40% of its product categories.

The P&G strategy cuts list prices for merchandise, but also severely limits or eliminates the up-front allowances and co-op advertising dollars that promotion-oriented conventional supermarkets are accustomed to receiving.

This strategy fits in precisely with the approach of clubs, deep discounters, and other so-called Every Day Low Price (EDLP) retailers, including some mass merchants, such as Wal-Mart, and even some supermarkets, such as Food Lion.

P&G denies that its strategy is designed to favor any particular group of its customers. But many supermarket retailers see the move as a thinly-veiled attempt to force the EDLP approach onto the entire industry, most of which follows a high-low pricing strategy based on deals, trade allowances and promotions.

Marketing studies show that while trade allowances have gone up, brand loyalty has declined

If this were indeed P&G's intention, it would not be without cause. For many years, marketers have complained about the increasing amount of promotion dollars they are expected to pay to the trade. Once uttered in a hush, the complaints have become progressively louder.

Jeff Hill, group vp and partner, Glendinning Associates, Westport, Conn., a consulting firm which has developed consumer and trade programs for two-thirds of the top 100 national advertisers, says that promotion dollars increased 50% in 1991 over 1990, and are double what they were in 1975.

High-low retailers rely on the funds to provide 40% to 70% of their bottom line profitability, he claims. But from the marketers' perspective, the funds serve only as short-term volume builders and do nothing to build brand loyalty.

Indeed, he says, marketing studies show that while trade allowances have gone up, brand loyalty has declined. Consumer perception of branded goods versus private label is at an all-time low, with private label now representing some 19% of supermarket sales.

Many marketers have come to conclude that promotion dollars now spent on the trade would be better spent on increased national advertising and research and development, which are considered far more reliable and successful enhancers of brand loyalty.

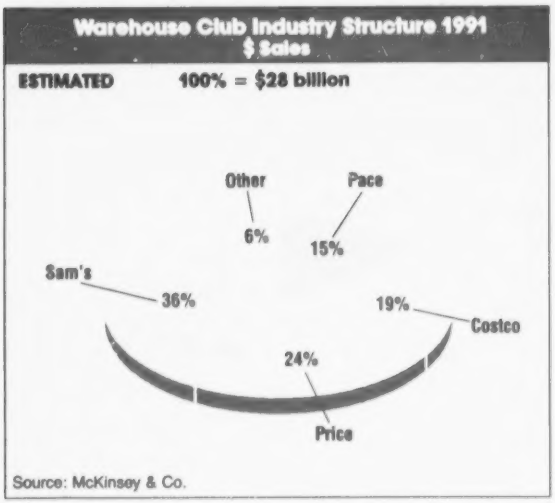
Still, the clout of high-low retailers, such as A&P, American Stores and Kroger, remains considerable, and no other manufacturer has dared to challenge that clout as boldly as P&G has.

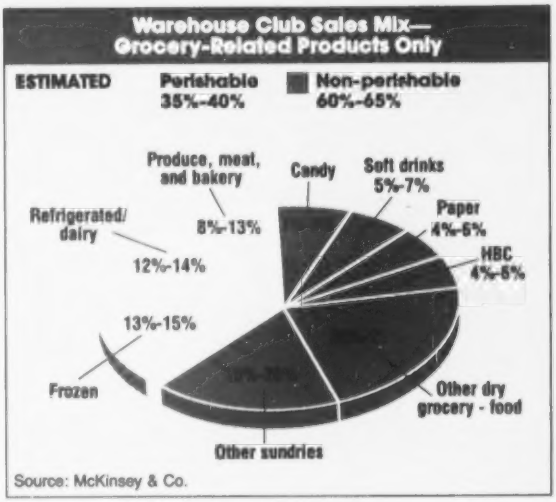
Kraft has made some moves in the EDLP direction, but only in its strongest 4% of categories.

Hill says that many marketers with less category dominance than P&G are waiting to see whether the company's strategy succeeds. If it does, they will likely adopt similar strategies.

On the other hand, some marketers see P&G's move as a competitive opportunity, and are taking action to align more closely with the high-low retailers who want to see the strategy fail.

Of course, these same marketers also have separate pricing programs meant to appeal to the EDLP retailers, who have grown too strong to ignore. And therein lies the heart of the conflict between supermarkets and





the alternative formats.

Supermarket retailers argue that the deep discounters and clubs are being given superior deals. In fact, argues Hill, they are simply getting deals structured to their way of doing business.

The high-low player is offered an invoice rate and promotion moneys. The EDLP player receives no promotion money, but gets a lower invoice rate.

In addition, wholesale clubs are rewarded for the way they reduce the manufacturer's cost of doing business. The acceptance of palletized loads, larger sizes, and huge quantities of items makes doing business with the clubs extremely efficient, and most manufacturers are more than willing to pass part of that savings along to the clubs.

Whether such policies by manufacturers constitute a violation of the Robinson-Patman Act, the federal law which provides retailers' lawyers with their most powerful ammunition in "level playing field" disputes, is unresolved, says Irving Scher, a partner at Weil, Gotshal & Manges, New York, and an expert on the act.

But he adds that the Federal Trade Commission is not aggressive in enforcing the act, and that there are "lots of ways" a creative manufacturer can get around the act's provisions.

According to preliminary findings of the FMI reports, consumers are handed an average price advantage of 26% from club stores.

Differences in the acquisition price of merchandise accounts for less than half the difference, operating efficiencies account for the remainder.

Hill predicts that the conflict between high-low and EDLP retailers will be ongoing, with winners on both sides.

"The EDLP players don't hold the monopoly on efficiency," he says. "Manufacturers realize that there are some high-low players who are very efficient to do business with, including Pathmark."

In addition, he points out, consumers aren't interested in price alone. Retailers can also compete on service, selection and quality—components which have lost some luster during the current recession, but which will eventually be back in fashion. ■

—Bruce Fox

COMING IN JUNE

The preliminary entry form for our 1992 RETAIL STORE OF THE YEAR Design Competition will appear in the June issue of *Chain Store Age Executive*.

Start thinking now of which stores you'd like to enter.

To make sure you're on our direct mail list for more detailed information, call (212) 756-5254 today.

THE CHANGING FACES OF CALIFORNIA

MULTICULTURAL SOCIETY PROVIDES CHALLENGE FOR RETAILERS, DEVELOPERS

When it was first built in 1985, Montebello (Calif.) Town Center appealed to a predominantly white, middle class market. Just seven years later, that market has changed.

"Within five miles of Montebello, we now have the largest Taiwanese colony outside of Taiwan," says Daniel W. Donahue, chairman of Newport Beach, Calif.-based Donahue Schriber, the center's developer.

Adapting to the new population in the market had some unexpected twists for the center's employees.

"The native Taiwanese are used to bartering for goods. We had many instances where a customer was ready to barter for merchandise. It was a real learning curve for them that it wasn't done that way, and it was shocking to us," Donahue relates.

Adapting their method of payment is only one of the adjustments these immigrants are making in their new home. But the greater adjustment may be on the parts of the retailers and developers who service them.

While many still think of California as a land of palm trees, movie stars and earthquakes, the biggest earthquake in the state may not be physical. At first slowly, then far more rapidly in the past decade, the face of the typical Californian is changing. In fact, there might not be a typical Californian at all by the end of the 1990s.

Donahue Schriber's Montebello Town Center (Calif.) now has a large Taiwanese market.

Population changes: Immigration and emigration are changing the racial and ethnic makeup of the nation's most populous state. Nearly half of the newcomers to California in the latter half of the 1980s were foreign-born immigrants.

A population that was more than two-thirds Anglo-Caucasian in 1980 became more multiracial by 1990—7.4% African-American; 0.8% Native American, Eskimo or Aleut; 9.6% Asian or Pacific Islander; 25.8% Hispanic, according to the U.S. Census Bureau. By the end of the decade, there will be no clear ethnic majority in California.

The Asian and Hispanic groups have shown the greatest growth over the last decade. The total African-American population remains relatively stable (*see chart, page 54*).

California's increasing multiculturalism means dramatic changes in the state's way of life. Public services are being offered in a variety of languages to accommodate the newcomers. Pacific Bell provides customer service in English, Spanish, Vietnamese, Korean, Cantonese and Mandarin.

For retailers and their landlords, new questions arise: Are the new populations of the state being served by the existing shopping structure? How must they adapt to serve these new Californians? Or does the industry need to adapt at all?

California retailers and developers are just beginning to struggle with how to target their new markets, with varying success. Their counterparts with projects in other immigrant meccas from New York to Seattle will watch California's lessons closely.

Who: The first problem in dealing with the new Californians is categorizing them. Each ethnic "group" can be broken down into subgroups that have very different traditions.

Asians include Chinese, Japanese, Koreans, Vietnamese, Thais and Filipinos, all with individual languages and cultures.

"The market is harder to dissect because of the language barrier," says Thomas Schriber, president of Donahue Schriber.

Spanish speakers may originally have hailed from Mexico, Cuba, Puerto Rico or any of a number of Central and South American countries, again with different histories and buying patterns.

Nor should a retailer or developer assume that a market composed of

California Population Changes (by racial/ethnic group)

	1980 Census	1990 Census	1996 Projection
White	18,032,000	20,524,327	21,900,415

	1980 Census	1990 Census	1996 Projection
Other**	3,817,500	7,026,893	8,826,531

	1980 Census	1990 Census	1996 Projection
Black	1,819,000	2,208,801	2,422,319

*Persons of Hispanic origin may be of any race
**Other includes persons of Asian, Native American and other origins

Sources: 1980, 1990—U.S. Bureau of the Census 1996—Donnelley Marketing Information Services

immigrants is poor. Unlike the European newcomers of the last century, the new Californians are not necessarily fleeing war or poverty. Those who are, are as determined as their predecessors to achieve the "American Dream."

"Some of the Vietnamese immigrants were very wealthy when they arrived, and others are starting to buy and own their own businesses. Some of the Chinese immigrants are now buying stores in the mall," says Skip Keyzers, senior vp of Santa Monica, Calif.-based MaceRich.

With so many subdivisions, each market must be examined closely. Shopping centers and stores have to adapt to their own individual market.

Re-tenanting: Developers may have to consider tenanting their centers differently. While individuals vary, the 1992 *Stillerman Jones & Co. National Benchmarks* indicates that various ethnic and racial groups do spend portions of their shopping dollar differently (*see chart, page 55*).

As a group, Asian consumers spend more of their regional mall shopping dollar at a conventional department store than other groups, while spending far less on jewelry. Hispanic consumers spend more on children's apparel than the other groups in the survey. African-Americans spent the most of any group on women's apparel, men's apparel, shoes and jewelry.

It might make sense, therefore, for developers to cater to these needs in a market dominated by a particular group, says Jody Martin, vp at Stillerman Jones, Indianapolis.

"The purchasing by these groups might be limited by the number of stores available. If more stores in these categories are at the center, the potential for spending could increase," Martin says.

Surveys, however, are no substitute for looking at the market.

"You can look at the physical characteristics of your market," and adapt to them, advises Robert Sorenson, vp-property management of San Diego-based Hahn Co. Petite stores may be more successful in an area with a good many first generation Asians. Larger-size stores have been found to do well in areas with a large number of other ethnic minorities.

One answer seems to be to encourage the new groups to come into the retail business.

"Since Hispanics as a group like to buy jewelry, we have Hispanic-owned jewelry stores," says Keyzers.

The even more tightly-knit Asian groups already have a tradition of servicing their own communities.

"You have entire retail blocks with stores with Japanese, Taiwanese or Korean names, with no European

	1980 Census	1990 Census	1996 Projection
Hispanic*	4,544,000	7,687,938	9,456,998

names at all," Schriber observes. Bringing these stores into the regional mall to replace weaker tenants will bring the new consumers in.

Remerchandising: While developers wait for leases to come up for renewal, it's up to their existing tenants to adjust to the new market, whether by creating separate divisions or remerchandising their stores.

Thus far, the Latino market has proven to be easier to reach. Arcadia, Calif-based Von's has created Tianguis, an entire supermarket geared toward the Mexican-American consumer. Signs and employees are bilingual. The store stocks foodstuffs specific to Mexican-American tastes and traditions.

Chains have been less successful in attempting to penetrate the diverse Asian markets. As in heavily Asian enclaves in both San Francisco and New York, independently-owned groceries service those groups.

Other stores have adapted their merchandise mix to suit the tastes of their clientele, Keyzers notes.

"Some of our stores will cater to their markets in terms of clothing styles," he says.

Cosmetics and other health and beauty aids are the most obvious merchandise that may be altered.

But some retailers don't really need to adapt at all.

"Mervyn's and Wal-Mart are cross-cultural. Everyone shops at Mervyn's," says Douglas Wiele, partner of Whitney Development Co., Orinda, Calif., and the state director for Northern California.

Walnut Creek, Calif.-based Long's Drug Stores has always followed a decentralized buying policy, says William Combs, vp-administration. This allows stores to target their individual demographics, whether based on ethnicity, income or age.

"The individual stores run their own show, and merchandise according to their population's needs. When we're in a market, we buy based on what the customers tell us they want," Combs says.

Speaking to the customer: Marketing to these customers becomes as much a question of speaking their language as understanding their buying patterns.

Marketing to an African-American market is easiest in one respect.

"With the black population, you still have a common language," MaceRich's Keyzers says.

Many developers and retailers have begun advertising on Spanish radio and television stations, and in Spanish newspapers and magazines. Promotions are geared toward specific Mexican or other Latino holidays. Running promotions on Sundays, a heavy shopping day for Hispanics, may also be helpful.

But targeting the Asian market can be nearly impossible.

"I can't say I'm going to market to the Asian market. There are so many different groups," Sorenson says.

Adapting: Some developers believe that the adaptations may not necessarily be permanent. Many of California's newcomers become "Americanized" quickly, and their children will have grown up in the state.

"The second generation Japanese, for example, have assimilated," Sorenson notes.

"The Hispanic consumers we've seen want to become Americanized, and like American branded merchandise, such as The Gap," says Schriber.

Whatever the changes, accommodating market shifts is the function of the shopping center industry and its retail tenants.

"We thought we'd identified *the* market for a center. But now the center is 15 years old and its market has changed, whether that change is ethnic or because the market is 15 years older. We must adapt to what the market is today," Sorenson says.

Continuing to adapt will require a good deal more vigilance than in the past. The market changes now transforming California have essentially taken place over the last 10 years.

"We are going to have to study our demographics more often. Where previously we may have reviewed them every five or six years, now we'll have to examine them every three or four years," Schriber says.

The particular challenges facing California retailers and developers today, servicing a multiracial, multicultural society, may not confront many areas in the United States for decades, if ever. But the solution to the challenge is the same as for any area facing changing demographics.

"This is an area in transition. Those who adapt will be successful. Those who don't will fail," Donahue says. ■

—Debra Hazel

Percentage of Sales Contributions Per Group Per Shopping Trip
(regional malls)

Store Type	White	Black	Asian	Hispanic
National department stores*	15.33%	12.07%	8.98%	15.11%
Conventional department stores	33.85	30.80	41.67	31.00
Specialty department stores	0.40	0.31	0.36	0.03
Discount department stores	2.27	2.08	0.09	1.61
Women's apparel	9.75	13.02	9.13	10.19
Men's apparel	2.70	6.80	4.36	2.94
Children's apparel	0.49	0.57	0.09	0.91
Shoes	4.93	10.27	4.17	6.01
Jewelry	4.49	9.18	2.65	4.39
All other	25.80	6.09	28.61	27.89

*Sears, Roebuck, J. C. Penney, Montgomery Ward

Note: Because of rounding, numbers may not add to 100%

Source: 1992 Stillerman Jones & Co. National Benchmarks

BIG NUMBERS DON'T TELL THE STORY

THE PIPELINE IS DRYING UP FOR MANY OF THE FASTEST GROWING DEVELOPERS

***Crown American opened Martinsburg Mall** (West Va.), last year, but chairman Frank Pasquerilla says no new projects are under construction now.*

Sometimes, numbers can be deceiving.

At first glance, the fastest growing developers of 1991 had a pretty good year. The number one developer, Youngstown, Ohio-based Edward J. DeBartolo Corp., opened nearly 6 million sq. ft. of new retail space.

Crown American Corp., Johnstown, Pa., placed second with just over 3 million sq. ft. of construction. Even the number 10 developer, Melvin Simon & Associates of Indianapolis, opened 1.4 million sq. ft. of space.

But the numbers are now starting to reflect the credit crunch that is strangling development. All of last year's top 10 developers opened more than 2 million sq. ft. last year. And in the following pages, several of this year's big winners admit that new projects are at a standstill. Most of the new centers opened this year were planned, and financed, before the money ran dry.

More than ever before, expansion accounted for new space constructed, much of it the addition of anchors to existing regional malls. Interestingly, less specialty space is being added, probably reflecting the recessionary expansion thinking on the part of retailers.

Some of this year's top 10 developers are still building new centers, mostly because of a tradition of using equity to finance projects. Chicago-based Homart has several centers under construction, with still more ready to be built. Buoyed by Price Club's financing, Los Angeles-based Kornwasser & Friedman also has elaborate expansion plans. And Simon will open its long-awaited Mall of America this summer.

Others are focusing on expansion, maximizing the potential of already-developed properties.

The slowdown undoubtedly has begun, yet most of the developers can agree with Simon's executive vp-development, Jerry Garvey.

"We're just glad to be alive," he says. ■

Fastest Growing Developers

	New sq. ft. 1991	Number of projects 1991	New sq. ft. 1990	Number of projects 1990
Edward J. DeBartolo Corp.	5,919,153	13	3,888,395	13
Crown American	3,015,828	7	1,405,144	12
New Market Cos.	2,701,722	9	394,744	2
CBL & Associates	2,166,350	6	2,280,319	10
Western Development	2,100,000	1	2,200,000	1
Kornwasser & Friedman	2,023,000	19	2,255,000	15
General Growth Cos.	1,993,500	6	2,846,000	6
Wilmorite Inc.	1,900,000	4	3,400,000	4
Homart Development	1,856,629*	8	3,979,364	9
Melvin Simon & Associates	1,446,488	7	4,690,050	21

* Includes space since sold

Source: Company reports

EDWARD J. DEBARTOLO CORP.

CoolSprings Galleria is a joint venture of CBL & Associates and DeBartolo Corp.

Edward J. DeBartolo Corp.

Centers opened in 1991

- The Avenues, Jacksonville, Fla.—200,000 sq. ft. expansion
- Biltmore Square, Asheville, N.C.—82,245 sq. ft. expansion
- Chesapeake Center, Chesapeake, Va.—25,916 sq. ft. expansion
- CoolSprings Galleria, Nashville, Tenn.—1,350,000 sq. ft.
- Dadeland Mall, Miami—78,883 sq. ft. expansion
- The Florida Mall, Orlando, Fla.—207,962 sq. ft. expansion
- Highland Lakes Center, Orlando, Fla.—488,954 sq. ft.
- Illinois Centre, Marion, Ill.—851,576 sq. ft.
- Mainland Crossing, Texas City, Texas—473,491 sq. ft.
- Mall of the Mainland, Texas City, Texas—940,660 sq. ft.
- Paddock Mall, Ocala, Fla.—146,488 sq. ft.
- Terrace at the Florida Mall, Orlando, Fla.—109,500 sq. ft.
- Virginia Center Commons, Richmond, Va.—963,478 sq. ft.

Source: The Edward J. DeBartolo Corp.

With nearly 6 million sq. ft. of new space opened last year, one might think that Youngstown, Ohio-based Edward J. DeBartolo Corporation would want to take a breather in 1992.

In terms of new shopping centers, it is.

"We have no new centers under construction right now," says Richard Sokolov, senior vp-general counsel.

Blame the ever-present credit crunch for the slowdown.

"It's just a function of the present time. Everyone is facing a lag. We'll wait until a better time," Sokolov says.

This year's surge is simply the result of some delays in projects scheduled for a 1990 completion and 1991 centers all opening together.

"A number of projects reached maturity, coincidentally, in 1991," Sokolov says.

For example, CoolSprings Galleria in Nashville, Tenn., was developed by Chattanooga, Tenn.-based CBL & Associates, and DeBartolo joined as a joint venture partner later on. Other projects were years in the making, finally opening last year.

But the company isn't ceasing all activity. Expansion of existing projects are a main focus.

Sokolov declined to comment on published reports of financial difficulties at DeBartolo. But he noted that while new malls are not in the firm's immediate future, they are still part of the long-term plan.

"We're not abandoning new development. We have six regional mall parcels which we own and are actively working on," he adds. ■

CBL & ASSOCIATES

CBL & Associates

Centers opened in 1991

- The Avenues, Jacksonville, Fla.—200,000 sq. ft. expansion
- BJ's Plaza, Portland, Maine—105,000 sq. ft.
- CoolSprings Galleria, Nashville, Tenn.—1,350,000 sq. ft.
- Seacoast Shopping Center, Seabrook, N.H.—235,000 sq. ft. expansion
- Valley Crossing, Hickory, N.C.—56,350 sq. ft. expansion
- Willow Springs Plaza, Nashua, N.H.—220,000 sq. ft.

Source: CBL & Associates

Conservative growth is the focus for Chattanooga, Tenn.-based CBL & Associates.

The firm's nearly 2.2 million sq. ft. of new space last year places it fourth on this year's list, and more new retail is on the way.

"Development is going to be on a much more conservative rate for everyone in the shopping center industry," says Charles B. Lebovitz, president and ceo.

Overbuilding and turmoil in retail are two factors, followed by "the lack of willingness on the part of banks to provide financial support," Lebovitz says.

Add in the recession and the effects of the 1986 tax law, and "all unfortunately have come together in the same general time frame."

But development does continue. The firm opened Lakeshore Mall in Sebring, Fla., in February, anchored by Belk, J. C. Penney, Bealls and Kmart.

"We're working to start construction during the next 18 months on two regional malls, and in the pipeline are several others with department store commitments under negotiation," Lebovitz reports.

The firm is being extremely careful to determine its projects are needed. Never a company to indulge in speculative building, CBL is researching every potential center and expansion.

"We're not building for the sake of building. We're taking a much more careful approach, and satisfying ourselves that the market will support the total additional retail—not just the department stores but the new amount of small shop space, as well," Lebovitz says.

The firm is continuing to increase its focus on strip center development. The firm's Boston office has opened its first three projects and is working on more.

"Our program is still definitely going ahead," he adds. ■

KORNWASSER & FRIEDMAN

Kornwasser & Friedman

Centers opened in 1991

- Hollywood Galaxy, Los Angeles—150,000 sq. ft.
- International Bazaar, Santee, Calif.—102,000 sq. ft.
- Price Club Plaza, Maple Shade, N.J.—116,000 sq. ft.
- Price Club Plaza, Bakersfield, Calif.—107,000 sq. ft. expansion
- Price Club Plaza, Chesterfield, Va.—115,000 sq. ft.
- Price Club Plaza, Denver—117,000 sq. ft.
- Price Club Plaza, Aurora, Co.—112,000 sq. ft.
- Price Club Plaza, Seekonk, Mass.—112,000 sq. ft.
- Price Club Plaza, Wayne, N.J.—229,000 sq. ft.
- Price Club Plaza, Buffalo, N.Y.—112,000 sq. ft.
- Price Club Plaza, Copiague, N.Y.—68,000 sq. ft.
- Price Club Plaza, Corona, Calif.—133,000 sq. ft. expansion
- Price Club Plaza, Glendale, Calif.—16,000 sq. ft. expansion
- Price Club Plaza, Whitemarsh, Md.—61,000 sq. ft. expansion
- Price Club Plaza, Haziet, N.J.—118,000 sq. ft.
- Price Club Plaza, New Britain, Conn.—123,000 sq. ft.
- Price Club Plaza, Carmichael, Calif.—12,000 sq. ft expansion
- Price Club Plaza, Glen Burnie, Md.—92,000 sq. ft. expansion
- Price Club Plaza, Tempe, Ariz.—126,000 sq. ft. expansion

Source: Kornwasser & Friedman

While other developers are struggling to construct new projects, Kornwasser & Friedman just keeps rolling out Price Club Plazas around the country. With 2,0230,000 sq. ft. of new construction last year, the firm ranks sixth on this year's list.

The current downturn in construction and real estate prices are a boon to the firm. Price Club finances all projects internally, freeing Kornwasser & Friedman from the credit crunch still devastating the industry.

"It's an opportunity. A lot of properties that were too expensive or were intended for 'higher and better uses' such as office buildings or even malls are not being built. So the properties are available to us, and it's time to take advantage of it," says Joseph Kornwasser, managing partner of the Los Angeles-based developer.

Yet the firm will not take advantage of historically low prices by warehousing land for years, even decades, as it waits for a market to grow.

"We don't buy land to put in inventory. If we buy a site, it's to build on right away. If we can't build within a year or two, we won't buy the land," Kornwasser says. Even in boom markets, he notes, the firm is buying properties and developing them quickly.

"We'd rather take advantage of known commodities. It's part of the conservative approach we've always had," he adds. The firm builds near major urban markets that already are highly developed.

That isn't slowing down construction.

"If anything, we're looking at building more projects in the future," Kornwasser says. Projects are under way in Texas and Chicago, new markets for the firm, and expansion continues in the Northeast, California and Arizona.

"With all that, we have quite a lot to build in the next two years," Kornwasser says. ■

NEW MARKET COS.

New Market Cos.

Centers opened in 1991

- Auburn Plaza, Auburn, Maine—256,612 sq. ft.
- Colonial Commons, Harrisburg, Pa.—428,460 sq. ft.
- Crossroads Plaza, Cary, N.C.—670,000 sq. ft.
- Great Hills Market, North Austin, Texas—146,378 sq. ft.
- Marketfair North, Syracuse, N.Y.—130,257 sq. ft.
- Sandy Springs Crossing, Atlanta—134,850 sq. ft.
- The Shops at Clark's Pond, Portland, Maine—229,147 sq. ft.
- Sunset Valley MarketFair, South Austin, Texas—360,980 sq. ft.
- White Rock Marketplace, Dallas—345,038 sq. ft.

Source: New Market Cos.

Jumping from just under 400,000 sq. ft. of construction in 1990 to more than 2.7 million sq. ft. in 1991 is quite a leap. Atlanta-based New Market Cos., sees it as a culmination of years of work.

"A lot of our space probably should have opened sooner, but was delayed. It all just came together in one period," says Chip Groome, president of New Market Management.

"We were a little delayed, and everything was shoved into one year," Groome says.

"We're fortunate. But given the success we're having, we might have grown two to three times faster. We'll continue to grow, but at a slow and steady pace," he says.

Even with such growth, focusing on the existing portfolio is a major concern to the firm, which now specializes in power centers. The firm also is working on joint ventures, with financial institutions who require a developer's expertise.

"There has been overbuilding. Even some of the product we built years ago are not holding up exceptionally well to the test of time," Groome admits.

Fixing those centers likely will entail replacing some of the mom-and-pop tenants with the category killer anchors that tenant its power centers. The firm is doing the same with the centers it manages for other owners.

"The older centers had too much spec space. We're trying to match up other anchors to those locations," Groome says.

"If there's a reason for our success, that may be it. We were working with these anchors in their infancy 10 years ago. Now they want to grow, and we can help them," he says. ■

MELVIN SIMON & ASSOCIATES

For most development firms, opening more than 1.4 million sq. ft. of new shopping center space would be a substantial achievement. At Indianapolis-based Melvin Simon & Associates, that figure is actually something of a lull.

But that number will rise substantially in 1992 with just one opening, as the firm looks forward to the Aug. 7 debut of its much-ballyhooed Mall of America.

The Bloomington, Minn., 2.6 million-sq.-ft. megamall is right on time, reports Jerry Garvey, executive vp-development.

Melvin Simon & Associates

Centers opened in 1991

- Lincoln Crossing, O'Fallon, Ill.—23,860 sq. ft. expansion
- Lloyd Center, Portland, Ore.—198,447 sq. ft. expansion
- Newport Ltd. Office Tower (retail portion), Jersey City, N.J.—32,358 sq. ft.
- Oakview Mall, Omaha, Neb.—612,081 sq. ft.
- Scottsdale Galleria, Scottsdale, Ariz.—414,892 sq. ft.
- St. Charles Town Center, Waldorf, Md.—125,750 sq. ft. expansion
- White Oaks Plaza, Springfield, Ill.—39,100 sq. ft. expansion

Source: Melvin Simon & Associates

"All of our anchors are right on target and will make the opening, and leasing is going great," Garvey says. The firm has employed enough leasing reps to lease three or four regional malls.

The firm's other major project, Circle Centre in Indianapolis, is finally starting to make progress, after a credit crunch-driven delay.

"Downtown projects take an incredibly long time. We've been working on this center for 12 years," Garvey says.

With a consortium of corporate investors confirming financing, and the signing of Nordstrom, plans for the center are moving along.

Last year's new projects included the 400,000-sq.-ft. unanchored specialty center Scottsdale (Ariz.) Galleria, which Garvey acknowledges is going through a typical shakeout period.

"It will take time for the center to find its niche in the marketplace," he says, noting that the entertainment component of the project already is quite successful.

Garvey remains optimistic about the industry, and Simon's future.

"The ability to raise capital is more difficult than in years, but that hasn't stopped what is needed," he says. ■

WILMORITE

Wilmorite

Centers opened in 1991

- Charlestown Mall, St. Charles, Ill.—1,000,000 sq. ft.
- Freehold Raceway Mall, Freehold, N.J.—300,000 sq. ft. expansion
- Shoppingtown Mall, Syracuse, N.Y.—300,000 sq. ft. expansion
- Wilton Mall, Saratoga, N.Y.—300,000 sq. ft. expansion

Source: Wilmorite Inc.

Maximizing anchor space at its centers will be a major goal of Rochester, N.Y.-based Wilmorite.

After opening 1.9 million sq. ft. of new retail space last year, expansion and renovation will be the focus for the firm.

Work is continuing on various projects, with Nordstrom opening at Freehold (N.J.) Raceway Mall in August, and Macy's and Stern's set to join the center, which already is anchored by Lord & Taylor, J. C. Penney and Sears. J. C. Penney is being added to Charlestowne Centre Mall in St. Charles, Ill.

The latter center, in particular, is a conduit for growth. It is Wilmorite's first out of its normal base in the Northeast. "We were so used to being in the Northeast. St. Charles provides a new dimension for us, and changes the way we do business—we meet new tenants, for example," says John Kraus, president of Wilmorite's Genesee Management division.

The new tenants can only help in further expansion. Stern's is opening, and a new anchor is joining Irondequoit Mall this year. Greece Towne mall, the firm's first center, will be expanded this year, as it is joined to another center to create a 1.7 million-sq.-ft. mall. Camillus (N.Y.) Mall is being reconfigured, as well.

Some new development is being planned. Wilmorite hopes to begin work on the Galleria at Plainville in Connecticut once legal difficulties are ironed out. Groundbreaking is set for 1992 or 1993.

"It's the kind of project developers live for," Kraus says.

"We've been focusing on back to basics, perceiving our assets as what they really are and working with them. People are putting money where it's smart," Kraus says. ■

HOMART DEVELOPMENT

Homart Development

Centers opened in 1991

- Bay City Mall, Bay City, Mich.—445,000 sq. ft.
- Eastgate Mall, Cincinnati—257,000 sq. ft. expansion
- Eastgate Mall Crossing, Cincinnati—190,776 sq. ft.
- Glendale City Center (retail portion), Glendale, Calif.—53,000 sq. ft.
- NewPark Mall, Newark, Calif.—124,000 sq. ft. expansion
- Pembroke Commons, Pembroke Pines, Calif.—346,851 sq. ft.*
- Superstition Springs, East Mesa, Ariz.—150,000 sq. ft. expansion
- Vista Ridge Mall, Lewisville, Texas—290,000 sq. ft. expansion

*Since sold.

Source: Homart Development

Slower, but steady, may be the development theme at Chicago-based Homart Development. While its 1.8 million sq. ft. of new retail opened in 1991 is less than in some previous years, the firm is planning new construction.

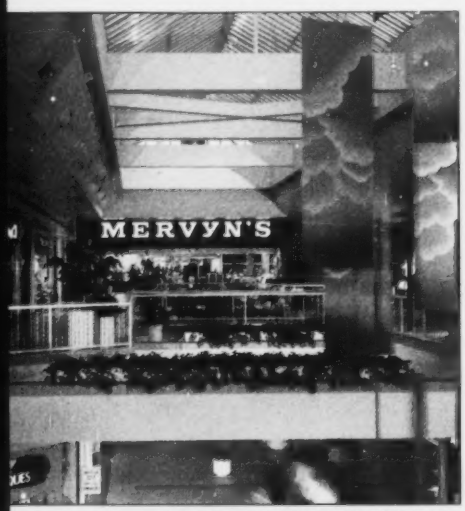
Bolstered by the financial clout of corporate parent Sears, Homart's investment traditions have allowed it to keep building when many other large firms are not.

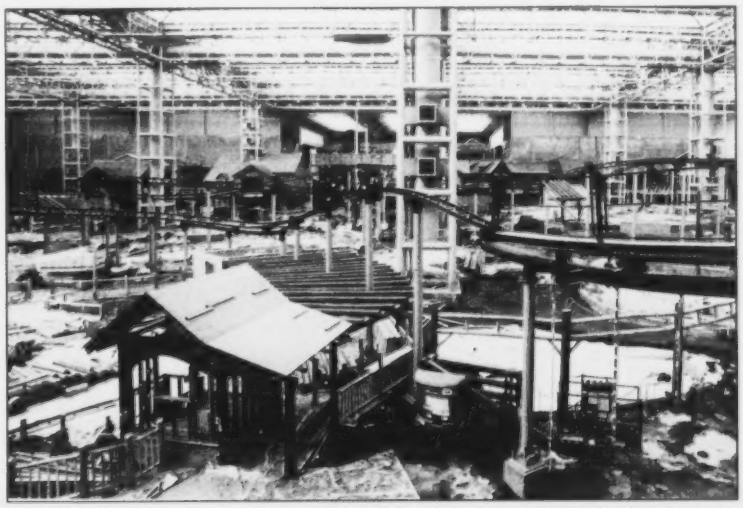
"We have a history of putting corporate equity into our projects, so the current environment doesn't affect us," explains Richard Welcome, senior vp-development.

The firm's Moreno Valley at Towngate Mall is scheduled for an October 14 opening (see story this issue), and Pembroke Pines Mall will open in September.

"We've also started plans for a major center in north Atlanta, and are planning a major expansion of Meriden Square in Meriden, Conn.," Welcome adds. Both projects are joint ventures. Homart and JMB are partners in the Atlanta project, which has yet to be named. St. Louis-based MayCenters is Homart's partner in Meriden Square.

In addition, Homart is beginning work in north Houston on The Woodlands, a joint venture with locally-based Woodlands Development Corp. Approvals have just come in for a center in Glendale, Ariz., a joint venture with Phoenix, Ariz.-based Westcor Development and Dallas-based JCP Realty. ■





Homart, which opened New Park Mall, left, last year, is continuing new construction as is Melvin Simon & Associates with Mall of America, right.

CROWN AMERICAN

Crown American

Centers opened in 1991

Bradley Square, Cleveland, Tenn.—500,000 sq. ft.
Francis Scott Key Mall, Frederick, Md.—100,653 sq. ft. expansion
Martinsburg Mall, Martinsburg, W. Va.—600,000 sq. ft.
Mount Berry Square, Rome, Ga.—600,000 sq. ft.
Oak Ridge Mall, Oak Ridge, Tenn.—943,528 sq. ft.
The Plaza at Biltmore Square—Asheville, N.C.—171,647 sq. ft.
South Mall, Allentown, Pa.—50,000 sq. ft. expansion

Source: Crown American Corp.

If Frank Pasquerilla has his way, the local regional mall may start looking quite different. Rather than being the retail heart of a community, the mall may become the focus for a good deal more, all in the name of drawing customers.

"There are a lot of changes occurring in the mall industry. Traffic is down in the malls. That means you have to make it more attractive to make people come in," says Pasquerilla, chairman of Johnstown, Pa.-based Crown American. The firm opened more than 3 million sq. ft. of new space last year, ranking it second in the survey.

"To do that means going beyond retailing. Provide health care facilities, libraries, offices, community rooms to make a mall attractive. Health care is very important to the concept of a mall today. The malls of tomorrow will be quite different from what they were yesterday," he says.

He suggests that clinics that are offshoots of hospitals easily can be added to a mall tenant mix.

"We have to gear ourselves to what the public wants today. We have to change our attitudes as mall developers to give the customers what they want," he says.

Creating new uses for a center can be one way of keeping a corporation busy during a very slow period.

"We overbuilt this industry too fast and too much. Our problems were created by developers doing too much too soon," Pasquerilla says.

"As far as we're concerned, there are no new starts or projects this year or next year. I'm looking for a turnaround in 1995, if it comes," he says.

Several expansions are on the board, as well as renovations for several Sears anchors.

"We have a lot of projects we can expand with anchors and expand the anchors. The name of the game is expansion," he says. ■

WESTERN DEVELOPMENT

Western Development

Centers opened in 1991

Gurnee Mills, Gurnee, Ill.—2,100,000 sq. ft.

Source: Western Development Corp.

Because of the now-infamous credit crunch, there will be a slight pause in the "Milling" of America.

The opening of Washington, D.C.-based Western Development's 2.1 million-sq.-ft. Gurnee (Ill.) Mills will be followed by an expansion of the existing Potomac Mills. But announced projects in Michigan and California are awaiting financing.

The lack of funds certainly isn't for lack of sales, reports Patience O'Connor, a spokeswoman for the firm.

"Gurnee is doing exceptionally well, and is ahead of criteria on all fronts," she says. The other Mills projects also are doing well.

The recession isn't solely responsible for their success.

"Because of the recession, people continue to look for values. But there is a whole market of consumers who continue to shop. They may be

spending less, but they are shopping. Couple that with tour groups, and the centers are exceeding projections," O'Connor says.

While home-related goods sold well before the end of 1991, apparel has made a comeback in the early part of this year, O'Connor reports.

Reports published at the time of Gurnee's opening indicated that Western was struggling financially.

"The company was facing the same kind of financial struggles that all companies were facing, primarily getting financing for projects," O'Connor says.

As a result, other projects are on hold. Ontario (Calif.) Mills has store commitments, but construction is blocked by lack of funds. Auburn (Mich.) Mills also won't get underway until financing has been put in place. In the meantime, Western has begun the expansion of its prototype Potomac Mills in Daly City, Va.

J. C. Penney, Phar-Mor, Spiegel and Marshalls will join the center in spring 1993. ■

GENERAL GROWTH COS.

General Growth Cos.

Centers opened in 1991

- **Fox River Mall, Appleton, Wis.—265,000 sq. ft. expansion**
- **Mall at Green Hills, Nashville, Tenn.—114,500 sq. ft. expansion**
- **Oakwood Mall, Eau Claire, Wis.—160,000 sq. ft. expansion**
- **River Hills Mall, Mankato, Minn.—680,000 sq. ft.**
- **Southdale Center, Edina, Minn.—660,000 sq. ft. expansion**
- **Valley Mall, Harrisonburg, Va.—114,000 sq. ft. expansion**

Source: General Growth Cos.

General Growth may have to think about temporarily changing its name. While the firm ranks seventh on this year's list, new development is slowing down.

"We have nothing ahead of us at the moment," says Martin Bucksbaum, chairman of the Des Moines, Iowa-based developer. The firm opened Grand Traverse Mall in Traverse City, Mich., in March.

General Growth has held on to land for years, waiting for the right time to develop. But these days developers can't afford foresight. Most firms couldn't take advantage of relatively low real estate prices to stockpile land for future development.

"In the past, developers often had institutions to help. That is no longer the case. Nobody wants to talk about real estate. They've all been hurt, and don't understand that this is a cyclical business," Bucksbaum says.

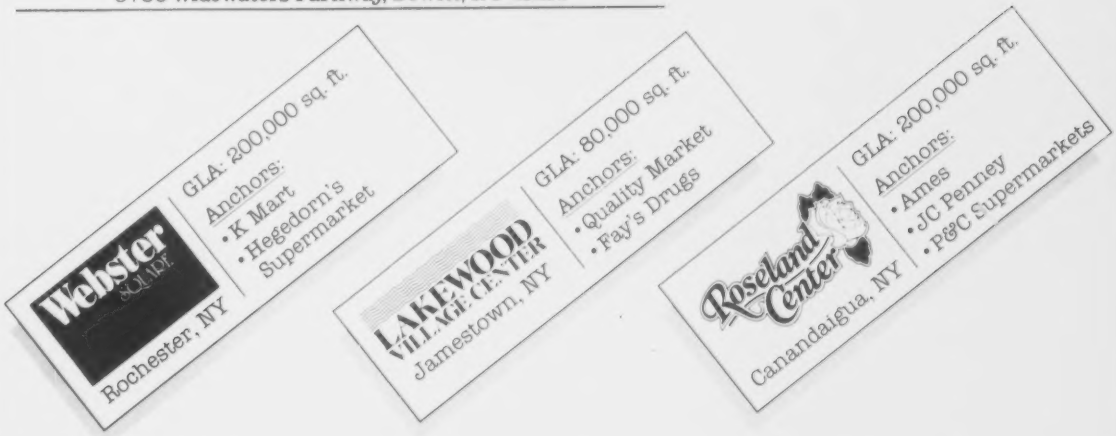
He isn't even referring to new development. "I'm talking about money to continue to care for existing projects, do some trading and acquisitions."

Overall, though, Bucksbaum believes in the industry's future. "Good malls with decent department stores will continue to hold their own," he says. ■

The Widewaters Group

DEVELOPMENT UPDATE

5786 Widewaters Parkway, Dewitt, NY 13214



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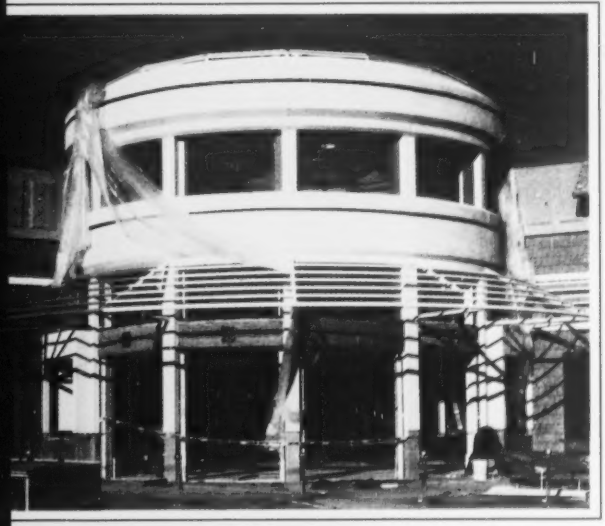


***Construction was planned** to cause minimal disruption.*

The new entrance will also make it more accessible for the 30,000 employees at the nearby Warner Center office complex to enter the mall for lunchtime eating and shopping.

In addition to the anchors, existing tenants such as Laura Ashley, Eddie Bauer, Mondi and Williams-Sonoma will be joined by other upscale operators such as Lenardi, an Italian shoe store; Hold Everything, Williams-Sonoma's retail execution of its popular mail order catalog; and Tibles, a gourmet popcorn and candy shop. According to Pecar, Ann Taylor will shortly relocate to a larger and more visible space.

Adds Katherine VanDeusen, director of leasing, "Ann Taylor had 2,800 sq. ft. and will take over 4,500 sq. ft." VanDeusen estimates the center is about 60% leased at this time. Among the other new tenants are Joan and David, FAO Schwarz and Coach.

The renovated center does not have a cinema. "We've found that is not our customer," says Pecar.

Renovation was critical for The Promenade's future. "There are two major reasons to remodel," says Pecar.

"To maintain new customers and get new stores. In California there is a mall every six miles, so it is important to keep up with the times and get new tenants." ■

BALKING PAST CAM AND RENT

RETAILERS SEEK TO CONTROL PASS-THROUGH FEES

A major chain store signs a lease for $12 per square foot to be at Anywhere Mall, with $2.00 per square foot CAM charges and additional fees for the marketing fund, taxes and insurance. At least that's what the leasing agent thinks the company will pay.

A few years later, the center management renovates the mall, passing along a percentage of the costs. An administrative charge is added to the rent. The retailer is now paying the developer nearly twice the rent originally agreed upon.

When it comes to landlord fees, retailers are rapidly learning that rent isn't everything. Neither is common area maintenance. And some retailers may be getting just a little irritated about it.

Call them pass-through charges, capital improvements, taxes, whatever, retailers are finding that fees over and above their rent and CAM charges are rising rapidly. Extra charges levied on tenants are now starting to approach the minimum rent agreed upon in some leases. And at least one retailer is starting to do something about it.

Prior to the 1980s, a retailer might typically have negotiated a minimum rent against a 4% or 5% percentage, with a few ancillary charges.

"With taxes and snow removal, you might be paying somewhere in the neighborhood of $3.50 or $4.00 per square foot. The retailer might agree to pay the next quarter increase and the landlord would take it after that. There was a degree of sanity to the process," says Marty Sherman, senior vp of Cincinnati-based U.S. Shoe.

In the last few years, however, developers began adding a 15% administrative surcharge for the cost of running the shopping center, Sherman relates. But it didn't end there.

"If you check in the lease, you'll find that many fees should be in the 15% charge, but now show up somewhere else. So you're being charged for the same service twice," he says. This can include the hiring of an outside management firm, or capital improvements such as additional foliage or restripping the parking lot. It all

Median Charges by Region
(super regional malls, dollars per square foot of mall GLA)

	Minimum Rent	CAM	Property Taxes	Insurance	Utilities	Other
Northeast	$11.04	$3.30	$1.40	$0.20	$0.91	$0.82
Southeast	13.58	3.08	1.13	0.16	2.34	1.23
Midwest	10.93	3.01	1.34	0.08	2.32	0.51
North Central	9.34	1.91	NA	NA	4.17	NA
Southwest	10.44	2.95	1.26	0.18	2.00	1.57
Far West	11.72	2.95	0.83	0.12	1.66	0.22

Source: *Dollar & Cents of Shopping Centers 1990*, Urban Land Institute

begins to add up.

"In some cases, the ancillary charges such as CAM, taxes and other extra charges can total 70% of the minimum rent," Sherman says.

A $10 rent that has become $17 with the extra charges can go up from there. The key is in the dreaded phrase, included in most leases, "including all of the following, but not limited to . . ." Eventually, the monthly rate can approach the point where a store can no longer earn a profit.

This is especially true in difficult economic times. "In the regional malls, developers will charge the base, a percentage of the gross receipts and sometimes extra charges. But in a recession, there isn't too much that some retailers can give," says Charles Aug, president of New York-based brokerage Garrick-Aug Worldwide.

Even large, successful chains are feeling the pinch. Stores have to justify what can often be a high investment in construction and operation.

"We can only live with a certain occupancy charge. We cannot give a developer a certain rent and then have that increase substantially. There are no blank checks any more," Sherman says.

Sherman is not alone. Other major retailers reportedly are balking at the increases in extra charges, making the usually difficult process of lease negotiation even more so.

"In general, tenants have become much more aware of frontage and economics and shopping center economics. They are now in a better position to negotiate," says Ross Glickman, vp at Chicago-based JMB Retail Properties.

For their part, developers insist that the additional charges are far from arbitrary. They, too, are squeezed by the recession.

"Our profit line is under attack, and one of the largest expenses is occupancy costs," says Michael Mayer, vp-retail asset management group at Equitable Real Estate Investment Management, Atlanta.

"With the number of retail bankruptcies, we now have fewer retailers in the short term. Our costs are spread out over a smaller pool," Mayer explains.

Some of the extra charges are simply beyond developers' control, Mayer says.

"One of our largest costs is real estate taxes, and we don't control it. City governments are under increasing financial pressures, and they search for the most politically expedient way to increase taxes," Mayer says.

Even so, developers are fighting city hall whenever practical, says Daryl Mangan, executive vp-retail asset management group at Equitable Real Estate.

"We are working extremely hard with tax attorneys to review and appeal wherever we're being unfairly valued," he says.

Whatever the reason behind the charge, retailers know what they can or can't pay.

"We're starting to tell developers, 'We can only live with a certain occupancy charge. Put the numbers in whatever column you want.' We're going to try to blend the extra charges and minimum rent into one charge," Sherman says.

Another method is to negotiate a cap rate on the ancillary charges. "You have to take a look at the ancillary charges, and put some degree of finality on them," Sherman says.

Developers are being careful to keep extra charges to a minimum, Mangan says. The firm utilizes the more cost-effective marketing/promotion fund rather than require its tenants to belong to a merchants association, for example.

"We focus wholly on getting the biggest bang for the buck. The marketing fund can leverage the costs of the TV spots," he says.

Other costs also are kept as low as possible, Mangan maintains.

"We certainly don't want to spend any more than we need to. We've been investing in new materials that are easier and less costly to maintain," Mangan says.

Despite the greater negotiation now involved with major tenants, deals are being done.

"This has not hindered our ability to make deals. We have taken the position that we will help tenants look more closely at ancillary charges," Glickman says.

The most important thing is to work out as many of the details in advance, everyone agrees.

"We sit down with key developers and put it forward for discussion. We do a lot of homework on our numbers and share them," Sherman says.

And when sales pick up, so will everyone's mood, Aug believes.

"It's a tough retail environment right now. When the economy starts improving, retailers will have less concern over the extra charges," he says. ■

***Equitable Real Estate,** owner of Phipps Plaza, above, is working with retailers to control extra charges.*

need of small retailers for greater POS functionality.

Certainly, this need was perceived at Seville Florist, an independent floral shop in Evanston, Ill.

Like many retailers its size, Seville had an ECR and a separate VeriFone terminal at the point of sale. Then, last September, the store accepted the opportunity to test the latest product from VeriFone's SuperSystem Division—the Gemstone Diamond Retailer, VeriFone's first major foray beyond its traditional transaction terminal niche.

Tracy Tennison, the store's manager, says the Gemstone product integrates the functions of a transaction terminal, printer and ECR into a single unit, saving counter space and eliminating the errors associated with the double entry of transactions. Like VeriFone's traditional terminals, it provides out-of-the-box connectivity to networks.

"The machine has cut our end-of-day reconciliation time in half," Tennison says. "A report can be generated straight from the printer which has all the day's sales itemized.

"The itemization will show, for example, what was a delivery charge, what was non-taxable and what was an outside order from FTD. That helps tremendously with our bookkeeping."

The Diamond Retailer includes one megabyte of battery-backed memory, a 65-key keyboard with 20 customizable "hot" keys, a two-line by 20-character clerk display, a cash drawer, two connectors for optional peripherals such as a billboard display, three connectors for third-party peripherals such as scanners, and a memory card port for installation of new applications or upgrades. Reseller prices range from $1,500 to $2,300 per unit.

The product is the SuperSystem Division's third major offering. The first two, introduced in 1991, were called the Gemstone Sapphire and the Gemstone Emerald.

Architecturally very similar to the Diamond, the Sapphire offers more memory and input/output ports. It has been popular with gas stations. The Emerald, meanwhile, has been specifically marketed to the health care industry.

Through remote diagnostics, the units can be reprogrammed by VeriFone over phone lines, thus minimizing downtime for the small operator "who may not have an MIS staff," Narasimhan says. ■

QR TAKES STRONGER FOOTHOLD

38% OF RETAILERS SUPPORT THE STRATEGY

Retailers' support of the strategy known as Quick Response is continuing to rise.

According to the fourth annual barcode/EDI/QR survey prepared by the TRADE/Retail & Distribution Services group of Deloitte & Touche, 38% of retailers have now implemented or plan to implement QR programs.

That's up from 33% of respondents who indicated support for QR the previous year, the survey's findings showed.

"Each year, our survey results indicate that the technology is taking a more significant foothold in the retail industry," says William Blumberg, a principal of the TRADE retail group.

The survey also shows that retailers' commitment to QR matches a parallel commitment to scan barcode marked goods and to use Electronic Data Interchange (EDI). Among companies indicating commitment to QR, 44% said they are now scanning barcode marked goods and 46% said they are using EDI.

The survey was conducted during the fall of 1991. It was based on responses to questionnaires mailed by the National Retail Federation to its members and other key retailers, including department stores, mass merchants and specialty chains. The response rate was approximately 15%.

About 58% of the responses came from retailers with sales under $50 million.

Respondents to the survey agreed overwhelmingly that senior management's commitment is a critical factor in the successful implementation of a QR program. Some 66% of respondents saw this as the single most critical factor, followed by supporting systems (10%) and vendor commitment (8%).

In addition, 70% of respondents cited better customer service as the most important benefit they expected to gain from a QR program. Also considered important were improved bottom-line productivity (17%) and increased inventory productivity (9%).

More than 76% of respondents indicate they currently scan or plan to scan barcode marked merchandise, compared to 70% in the previous year's study. Most exceptional is the increase in the number of small retailers who say they are committed to scanning—75% compared to the previous year's 52%.

Apparel specialty retailers also show a marked increase in their interest in scanning—70% compared to the previous year's 48%.

Exhibit 1. Commitment to Quick Response (QR)

Have you implemented or do you plan to implement QR programs?

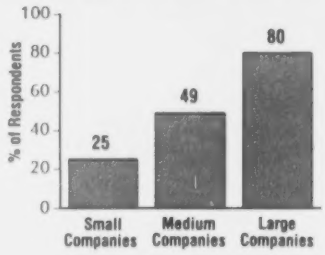
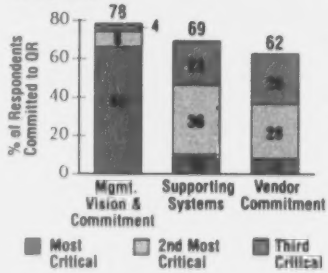


Exhibit 2. Critical Success Factors to QR

What are the three most critical success factors in becoming a QR company?



Findings also show an increase in vendor partnership programs. Thirty-seven percent of respondents said they have established or plan to establish UPC programs with vendors, compared to 33% the previous year.

While the majority of these programs are initiated by retailers, one-quarter of the respondents with UPC programs already in place say their programs have been jointly em-

barked on by both retailer and vendor.

The number of retailers who have implemented the scanning of internally prepared barcode tickets is on the rise, growing to 39% of respondents from 32% the previous year.

All of the large and 73% of the medium-size companies say they will be scanning internally prepared barcode tickets by the end of 1992.

Scanning at the point of sale has become practically a must for retailers. Seventy-two percent of respondents said they scan or plan to scan at POS, up from 62%.

The use of price lookup (PLU) has increased most significantly among specialty apparel retailers, with 51% of respondents in this segment citing usage, compared to 42% in the previous year's survey.

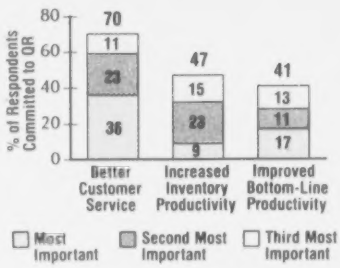
Overall, only 31% of respondents this year said they have no plans to use PLU, down from 37% last year.

Laser guns continue to prevail as the technology of choice for scanning, but 12% of respondents using them have also installed some other type of scanning device, most often wands.

Two-thirds of companies without plans to implement scanning say their major obstacle is the investment cost of POS scanning equipment. One-third say the main barrier is the perception that management is not committed to scanning.

Exhibit 3. Key Benefits of QR Programs

What are the three most important benefits of QR to your company?



Nearly all respondents committed to scanning said they use or plan to use barcoding for non-POS functions, most often for inventory taking and warehouse functions. A number of retailers said they are using barcoding to support the taking of permanent markdowns.

More than 20% of respondents have implemented EDI, a significant increase over the 15% who indicated doing so in the previous year's survey. However, the overall commitment to EDI has slightly declined, apparently due to respondents' perceptions that investment costs are escalating and there is a lack of vendor commitment.

Some 50% of survey respondents who use EDI say they are using it to share sales information with vendors. Among the most important advantages of implementing EDI, respondents indicate, are shorter re-order fulfillment cycles and reduced inventory levels. ■

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RETAIL SALES UP SLIGHTLY IN MARCH

WEAKNESS ATTRIBUTED TO SHIFTING DATE OF EASTER

Sales of the nation's top retailers took a breather in March, following two strong increases in January and February.

According to Michael P. Niemira, vp of Mitsubishi Bank's New York-based economic research department, overall comparable industry sales posted a meager 0.8% year-to-year increase in March, compared to 10% in February and 9% in January.

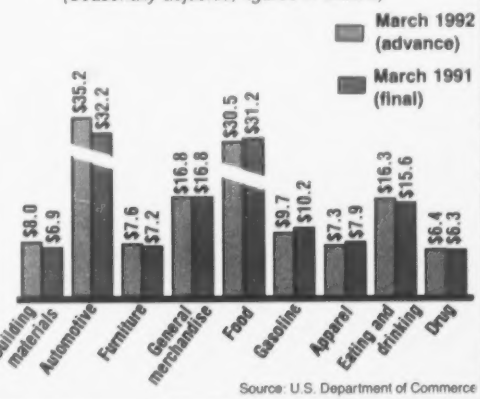
"Nonetheless, nearly every retailer put a positive spin on their report, suggesting that the weakness was mainly a comparison problem," Niemira says. "The later Easter this year [April 19] compared to last year [March 31] means that pre-Easter sales won't show up until mid-April this year."

Some retailers also said that cold weather at mid-month hurt their sales of spring apparel. On the other hand, J. C. Penney's credit card promotion boosted its sales considerably in March.

A big surprise came from The Gap, which reported that its same-store sales fell 3% in March. Since the recession began, The Gap had been one of retailing's most solid performers.

MARCH SALES

(Seasonally adjusted, figures in billions)



Source: U.S. Department of Commerce

CHAIN PERFORMANCE

Company	March '92 sales (000)	% change	% change comp. stores	YTD sales (000)	% change YTD	% change YTD comp. stores
Wal-Mart	$3,930,000	+18.0	+ 6.0	$7,539,000	+25.0	+12.0
Kmart	3,149,969	+ 4.7	− 0.7	5,470,319	+ 6.9	N/R
Sears	3,044,606	+ 2.2	+ 3.2	5,099,706	+ 2.6	+ 5.5
Penney	1,107,000	+10.3	+ 9.5	1,822,000	+10.8	+ 9.7
Dayton Hudson	1,450,000	+ 9.6	+ 1.9	2,470,000	+10.9	+ 3.6
May	852,000	− 0.3	N/R	1,480,000	+ 3.2	N/R
Melville[1]	879,220	− 3.6	− 6.2	2,239,351	+ 2.5	+ 0.5
Walgreen[5]	622,050	+ 5.6	+ 2.2	1,822,794	+10.2	+ 7.2
Federated	606,400	N/R	+ 3.3	N/R	N/R	N/R
Woolworth	478,000	−13.3	− 9.9	827,000	− 8.3	− 4.8
The Limited	538,100	+ 3.0	− 8.0	948,100	+ 8.0	− 3.0
Circuit City[2]	212,600	+17.0	+ 3.0	212,600	+17.0	+ 3.0
The Gap	239,000	+12.0	− 3.0	385,000	+16.0	+ 1.0
Mercantile	242,800	+ 4.5	− 7.9	396,100	+ 8.1	− 5.0
Neiman-Marcus Group[3]	160,400	− 0.4	− 4.6	1,258,800	+ 1.6	− 2.5
Venture Stores	152,100	+15.9	+ 3.4	246,200	+15.7	+ 6.3
Edison Bros.	121,400	− 1.8	N/R	213,000	+ 3.6	N/R
Rose's	93,068	−14.5	−13.0	202,624	− 4.3	− 3.5
Jamesway	72,090	+ 3.0	+ 3.0	116,755	+ 6.0	+ 5.0
Charming Shoppes	101,000	+10.0	+ 1.0	170,200	+14.0	+ 5.0
Ross	88,000	+ 9.0	N/C	141,000	+ 6.0	− 3.0
Value City[3]	54,700	− 1.4	− 5.7	454,500	+14.4	+ 8.9
Dollar General	74,300	+17.4	+12.5	123,800	+21.4	+16.6
Best Buy[4]	96,000	+63.0	+24.0	96,000	+63.0	+24.0
Gottschalks	26,900	+ 8.8	− 3.5	44,500	+ 5.1	− 3.7

[1]fiscal year ends Dec. 31 [2]fiscal year ends Feb. 28 [3]fiscal year ends July 31 [4]fiscal year ends Mar. 31 [5]fiscal year ends Aug. 31 N/R = not reported N/C = no change

Source: Company reports

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